

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 CIAE-00 DODE-00 INR-07 NSAE-00
PA-01 USIA-06 PRS-01 SP-02 COME-00 EB-08 LAB-04
SIL-01 /056 W
-----120355Z 011054 /70

R 111637Z FEB 77
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 558
INFO AMEMBASSY BONN
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AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
USMISSION EC BRUSSELS
USMISSION NATO BRUSSELS
USMISSION OECD PARIS
USMISSION GENEVA
AMEMBASSY STOCKHOLM
USNMR SHAPE

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E.O. 11652: NA
TAGS: ELAB, PINT, UK
SUBJ: THE NEXT WAGE ROUND - THE NATIVES ARE RESTLESS

REF: LONDON 1820

SUMMARY: PRIME MINISTER CALLAGHAN HAS ATTEMPTED TO CON-
TAIN MOVES BY SOME TRADE UNION LEADERS AND GROUPS OF
WORKERS TO BREAK AWAY FROM A WAGE RESTRAINT POLICY IN THE
NEXT WAGE ROUND AND TO RETURN TO UNFETTERED COLLECTIVE
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BARGAINING. IN THE HOUSE OF COMMONS YESTERDAY (FEBRUARY
10) HE SAID A THIRD-ROUND WAGE RESTRAINT POLICY IS
"INEVITABLE" IN PREVENTING A VAST INCREASE IN INFLATION.
CURRENT INDICATIONS, HOWEVER, ARE THAT THE TUC-GOVERNMENT
PAY DISCUSSIONS WILL BE TOUGHER THAN THE TWO PREVIOUS
YEARS, BUT IT IS STILL QUITE LIKELY THAT SOME DEAL WILL
EVENTUALLY EMERGE. END SUMMARY.

1. MR. CALLAGHAN, SPEAKING BEFORE THE COMMONS, URGED THE BRITISH PEOPLE TO ACCEPT ANOTHER YEAR OF WAGE RESTRAINT, THE ALTERNATIVE BEING VASTLY HIGHER INFLATION. IF A THIRD YEAR OF RESTRAINT WERE ACCEPTED, HE WENT ON, INFLATION WOULD BE REDUCED. HE WARNED: "WE MUSN'T THROW AWAY WHAT HAS BEEN ACHIEVED."

2. THE PRIME MINISTER ACKNOWLEDGED THAT UNIONS WERE HAVING A DIFFICULT TIME PERSUADING THEIR RANK AND FILE TO ACCEPT A THIRD YEAR. MR. CALLAGHAN IS UNDOUBTEDLY ALARMED ABOUT THE IMPACT OF REPORTS OF DIVISION ON NEXT YEAR'S PAY STRATEGY WITHIN THE TUC LEADERSHIP AS WELL AS REPORTS OF VOCAL OPPOSITION TO A CONTINUATION OF WAGE RESTRAINT EXPRESSED BY LARGE GROUPS OF WORKERS AT A NUMBER OF FACTORIES IN BRITAIN, PARTICULARLY IN THE AUTOMOBILE INDUSTRY. THE "FINANCIAL TIMES" (FEBRUARY 10) HAD REPORTED THAT THERE WAS "ACRIMONIOUS DEBATE" WITHIN THE TUC LEADERSHIP ABOUT THE NEXT STAGE OF PAY POLICY -- ALTHOUGH THIS HAS BEEN BITTERLY DENIED BY TUC LEADERS BOTH PUBLICLY AND PRIVATELY TO US. THERE IS NONETHELESS A DEBATE WITHIN THE TUC ABOUT PAY STRATEGY, WHICH IS NOT SO MUCH ABOUT DROPPING A WAGE RESTRAINT POLICY AS IT IS ABOUT THE TIMING OF THE NEXT ACCORD WITH THE GOVERNMENT. (THE TUC AT ITS SEPTEMBER CONGRESS IN BRIGHTON IN FACT COMMITTED ITSELF TO "PLANNED AND ORDERLY" RETURN TO FREE COLLECTIVE BARGAINING, WHICH IS GENERALLY TAKEN TO MEAN A THIRD ROUND OF SOME FORM OF WAGE RESTRAINT). WHILE THERE ARE SOME LEADERS INCLUDING JOE GORMLEY (PRESIDENT

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OF THE NATIONAL UNION OF MINERS) WHO ARE CALLING FOR THE REMOVAL OF WAGE RESTRAINTS AND WHO HAVE WARNED THAT LABOR COULD LOSE THE NEXT ELECTION IF THEY ARE NOT LIFTED, THIS VIEW HAS NOT GAINED SIGNIFICANT SUPPORT AS YET WITHIN THE TUC LEADERSHIP.

3. IN DEBATING PAY STRATEGY, TUC LEADERS ARE ARGUING WHETHER A WAGE ACCORD SHOULD PRECEDE OR FOLLOW PRESENTATION OF THE NEXT BUDGET (LATE MARCH/EARLY APRIL). THEY HAVE ALSO ARGUED ABOUT TIMING OF A SPECIAL TUC CONGRESS -- OR PERHAPS A CONFERENCE OF LEADERS -- WITH A NUMBER OF LEADERS SEEKING TO AVOID A SITUATION LIKE LAST YEAR WHEN A TUC SPECIAL CONGRESS WAS CALLED TO RATIFY A PAY ACCORD ALREADY REACHED BETWEEN THE TUC LEADERSHIP AND THE GOVERNMENT RATHER THAN TO HELP SHAPE THE POLICY. CLEARLY, IF THE CONGRESS OR A LEADERS' CONFERENCE WERE CALLED BEFORE AN ACCORD WERE CONCLUDED, THERE WOULD BE GREATER DIFFICULTY FOR THE TUC LEADERSHIP IN SELLING A TIGHT AGREEMENT WITH THE GOVERNMENT.

4. MUCH OF THIS DEBATE TOOK PLACE AT THE FEBRUARY 9 TUC ECONOMIC COMMITTEE MEETING, WHOSE MAIN PURPOSE WAS TO DISCUSS THE TUC ANNUAL ECONOMIC REVIEW. THIS REVIEW IS NORMALLY A DETAILED COMPENDIUM OF A NUMBER OF MAJOR SOCIAL AND ECONOMIC POLICIES RANGING FROM TAXES TO INDUSTRIAL STRATEGY, AND IS TIMED USUALLY TO APPEAR BEFORE THE BUDGET. IT ALSO CONTAINS A CHAPTER ON COLLECTIVE BARGAINING, AND WHILE THERE WAS SUBSTANTIAL AGREEMENT ABOUT MUCH OF THE DRAFT DOCUMENT, CONSIDERABLE DEBATE EMERGED OVER THE COLLECTIVE BARGAINING SECTION. THIS PART OF THE REVIEW CONTAINED VARIOUS OPTIONS TUC COULD FOLLOW ON THE NEXT PAY POLICY (INCLUDING, IN FACT, AN END TO WAGE RESTRAINT). SOME LEADERS ARGUED AGAINST DETAILING IN SUCH A DOCUMENT THE VARIOUS ALTERNATIVES SUGGESTED FOR THE NEXT PAY POLICY LEST THIS REVEAL TOO MUCH ABOUT THE TUC'S NEGOTIATING POSTURE. A NUMBER LIMITED OFFICIAL USE

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OF LEADERS FEEL THAT THE TUC WAS PLACED IN A DIFFICULT POSITION LAST YEAR WHEN CHANCELLOR OF THE EXCHEQUER DENIS HEALEY PRESENTED A TAX-FOR-PAY-RESTRAINT PROPOSAL ON A "SORT OF TAKE IT OR LEAAVE IT" BASIS. THIS TIME THEY WANT TO KEEP THE DISCUSSION WITH HIM MORE FLEXIBLE AND PLAY SOME OF THEIR CARDS PRETTY CLOSE TO THE TABLE. AS ONE TUC LEADER PUT IT TO US: "WE'D LIKE TO KEEP HIM GUESSING A LITTLE BIT THIS TIME AROUND."

5. THE DEBATE WITHIN THE TUC LEADERSHIP AND THE RAMBLINGS FROM THE RANKS INDICATE THAT THE LEADERSHIP IS UNDER GREATER PRESSURE THIS YEAR FROM THE RANK AND FILE FOR A MORE LIBERAL PAY POLICY. WORKERS ARE INCREASINGLY RESTIVE ABOUT HIGHER PRICES ERODING THEIR WAGE GAINS AND ABOUT THE BLURRING OF PAY DIFFERENTIALS. THESE PRESSURES, WE WOULD EMPHASIZE, DO NOT BY ANY MEANS RULE OUT A THIRD YEAR OF WAGE RESTRAINT, BUT THEY WILL MAKE A TUC-GOVERNMENT ACCORD MUCH MORE DIFFICULT TO ATTAIN. THE GOVERNMENT WILL HAVE TO TAKE THESE PRESSURES ON THE TUC LEADERSHIP QUITE SERIOUSLY AND, PERHAPS, ACCOMMODATE THEM TO SOME EXTENT. (ONE CABINET MEMBER, ROY HATTERSLEY, SECRETARY OF STATE FOR PRICES AND CONSUMER AFFAIRS, TOLD US PRIVATELY THAT IT WOULD BE BETTER TO NEGOTIATE A MORE LIBERAL ACCORD WITH THE TUC LEADERSHIP THAN REACH A TIGHTER AGREEMENT WHICH WOULD NTO BE HONORED BY THE WORKERS.)

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LABOR UNIONS, LABOR OBJECTIVES, WAGE RATES
Control Number: n/a
Copy: SINGLE
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Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977LONDON02492
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770050-0613
Format: TEL
From: LONDON
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t19770250/aaaabsig.tel
Line Count: 167
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 69f2f5c7-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 LONDON 1820
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 24-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3344346
Secure: OPEN
Status: NATIVE
Subject: THE NEXT WAGE ROUND - THE NATIVES ARE RESTLESS
TAGS: ELAB, PINT, UK
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/69f2f5c7-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009